

EAST BAY REGIONAL PARK DISTRICT

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*Parks -- Economic aspects***"DO PARKS HAVE AN ECONOMIC BENEFIT TO YOUR COMMUNITY?"**

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If your friendly banker advised you that you could get a guaranteed 44 percent return in one year on money invested through his bank, while you would probably question such a high return, you'd eagerly seek more information. But if he then also told you that he could get you more than 100 percent on the money you invested and that your return could go as high as 300 percent, what would your reaction be? Certainly you would be unbelieving and you might even think about having his investment practices investigated. However, when you found that such astronomical returns on your investment were factually verified by a carefully designed economic study and that, indeed, the 44 percent figure was "very conservative," you might well rush to "get a piece of the action," realizing that such an investment was probably too good to pass up.

Returns ranging from 44 percent to 300 percent in excess of the tax funds invested may be going to residents of your community without their realizing it - and without your knowledge - because of your park and recreation agency. That residents of the East Bay area of the San Francisco Bay are deriving astonishing economic benefits from the presence of their Regional Park System were among the conclusions reached by Steven Spickard of the University of California's Berkeley campus Department of City and Regional Planning. For the past six months Spickard has been working on a study of "The Economic Benefits Generated for the East Bay Community by its Regional Park System" commissioned by the Park District's Inter-County Parks Foundation.

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Benefits Exceed Taxes

Spickard summed up his lengthy study saying, "The significant conclusion is that even under the most conservative assumptions, the \$23.6 million (44 percent) in calculated benefits far exceeds the \$16.3 million collected last year (1976-77) in property taxes, subventions, user charges, and fees." He further maintains that the primary and secondary benefits together provide "a best estimate of \$38.2 million" (more than 100 percent return) with a high range of \$65.2 million (300 percent) in EBRPD-generated economic benefits for the East Bay community.

Study More Valuable After Proposition 13

Completion of the economic survey could not have come at a more propitious time for the East Bay Regional Park District - or for the park and recreation field in general. The impact of the Jarvis-Gann tax-cutting initiative has been particularly heavy on the park and recreation field in California. Although it fared better than most because it is a multi-county park district, the East Bay Regional Park District still received but 51 percent of last year's tax revenues with which to operate its 39 park and recreation areas this year as a result of the passage in June of the tax-slashing Jarvis initiative. The carefully prepared and thorough economic benefits study will be a cornerstone of an appeal for additional funds to both the California State Legislature and a special State Commission on Government Reform appointed by Governor Brown. Eventually the economic benefits study showing the dramatically high return to the community on tax dollars invested in the Regional Parks may be part of a campaign to the voters for increased financial support.

The idea of an assessment of the economic impact that parks and recreation have on a community is not new. Over the years there have been many studies and Spickard has reviewed the various methods for valuing park services in the public economics literature going as far back as 1954. But other organizations in both the public and private sector have developed economic rationales for their work on a regular basis, some in rather sophisticated terms. Spickard's study is significant since it may be the first which explores the economic benefits generated by a single park system in some depth.

Long Overdue

The management of the East Bay Regional Park District has sought to have such an economic assessment of parks done by a larger level of government for the past ten years, feeling that a national or state body could provide a research study of greater benefit to the entire field. However, when no such study appeared to be forthcoming, the District's management initiated the economic survey just completed. Appropriately the initial approach to having such a study done was through Eugene Lee, Director of the University of California's prestigious Institute of Governmental Studies, and it was Lee who found the way to do the study and the talent in Steven Spickard, M.A. in Economics at the University of California.

As originally conceived, the economic survey was to be done in two stages and it was anticipated that it would provide a model for valuing a park's contribution to its surrounding community, thus helping "the park and recreation field to hold its own in the changing climate of tax funds." However, the threat of severe cutbacks probable if the Jarvis-Gann tax-cutting initiative were to be passed in California changed the scope of the study. Instead of two stages there would be but one, done on an accelerated basis. This would focus on providing conclusions regarding the economic benefit of the Regional Park District and attempt to assign a range of dollar values to several of the key economic benefits provided to the community by virtue of the existence of the East Bay Regional Park District.

Study Usable by Others

Spickard's economic benefits study is thus actually a beginning - not an ending. While he has researched the relevant literature in the field and commented on the applicability of eight methods for valuing the benefits of outdoor recreation which could be utilized, he has concentrated on the two methods which are most widely accepted. The method of computation and the techniques applied here to the East Bay Regional Park District can easily be adapted to other reasonably large county, regional, or state park systems and probably would be of value to many city park and recreation departments as well. In addition Spickard has suggested several other sophisticated techniques for further economic research which would provide additional significant economic benefits unaccounted for in his current study.

As has been mentioned, Spickard utilized two of the more widely accepted methods of assessing the economic benefit of the Regional Park District to the community. To determine primary benefits a rating scale currently used by some federal agencies in the Bay Area¹ was utilized which essentially multiplied the number of park visitors by a value pegged for a visitor-day in a "typical" East Bay Regional Park. Secondary benefits were based on the Regional Park District's operating expenditures, including salaries, services, and supplies, with such expenditures subject to a multiplier effect.²

Willingness to Pay

As with any other commodity, the value of a visit to a park is equal roughly to what one is willing to pay for it. However, though he discusses the method in some detail, Spickard does not use the widely accepted approach to valuation termed "willingness to pay" because there was neither the time nor money to carry out the quality survey necessary for validity. However, he does recommend that if the East Bay Regional Park District should conduct a user survey similar to the one done in 1976³ the information necessary for a willingness to pay analysis should be collected at the same time since this could be done at that time with only a small additional cost.

Spickard describes as a model for a "willingness to pay" survey one done in 1966 in the Maine woods. He says:

"Interviews were given on the site, placing respondents in a bidding game where hypothetical user fees were raised or lowered until the park visitor switched his hypothetical decision to visit the park or not. More personal questions were asked afterward regarding income, education, and the like. Of the 185 people interviewed, willingness to pay per day ranged from zero to \$16.66 with the most common value in the \$1 to \$2 range. These are measured in pre-inflationary, 1963, dollars...A total economic benefit to users was estimated in excess of \$71,000 per year."⁴

Also discarded for purposes of this study were the travel-cost demand analysis approach, which bases valuation on the cost of travel to a park; and valuation based on comparable prices for private parks. In the latter case Spickard comments that "unfortunately, there are no significant comparable private parks in the East Bay to use as comparisons."

Dollar Values Estimated

Instead of these methods he has adapted the standard dollar values for a visitor-day of recreation utilized by such agencies as the Army Corps of Engineers, the Bureau of Land Management, the Bureau of Reclamation, Federal watersheds, National Recreation Areas, and others. The standard value per visitor-day of "general recreation" ranges from \$.75 to \$2.25 and for "specialized recreation" increases to \$3 to \$9 per visitor-day. Following the Sears' scale¹ a conservative estimate would be \$1.50 per visitor-day times the estimated park attendance for 1977 of 12 million visitor-days or \$18 million in user benefits for last year. Because the \$1.50 per visitor-day does not account for seven years of Bay Area inflation - and because East Bay parks are of acknowledged high quality - the author recommends using the \$2.25 figure, which produces "a best estimate of \$27 million in primary benefit to the East Bay community from EBRPD operations." Spickard also utilizes the most recent study done for the Bureau of Outdoor Recreation in 1976 by Economics Research Associates⁵ which found the average willingness to pay for EBRPD-type recreation activities (fishing, boating, outdoor swimming, and picnicking) to be between \$4.74 and \$5.17 per day. The median figure, however, ranged from \$2.97 to \$3.29 per day. Hence Spickard estimated that \$3 per visitor-day times the estimated 12 million visitors would provide the highest estimate of \$36 million in primary economic benefits.

Secondary Benefits Evaluated

Among secondary or "local impact" benefits Spickard reviews four methods: the impact on property values, multiplied impacts of operating expenditures, impact of visitor expenditures, and the attraction of new industries. For the purposes of this study he has taken the dollars spent by the District for salaries, services, and supplies and traced them for their beneficial effects³ on the East Bay community. To find the proper "multiplier effect" he has examined work in this regard done by the Port of Oakland and the Bay Area Rapid Transit District. The Port of Oakland assumes a total multiplied economic impact of three times the original expense - or \$2 induced economic growth in addition to every \$1 spent on salaries, services, and supplies.²

In the BART Impact Study, 78 percent of all operating expenditures were assumed subject to a multiplier of 3.187.² Spickard questions what proportion of the dollars spent can legitimately be expected to recirculate through the economy

and he speculates on the secondary values. He reasons that it is only because of the EBRPD hiring of workers who would otherwise be unemployed that added services and supplies are purchased from local businesses which would otherwise have lower sales volumes. Pointing to the 25 percent of minority employment in the Regional Park District's work force, he sets the lowest estimate of secondary economic impact at \$5.6 million. However, he wisely recognizes this as a "very conservative" figure, and has provided a "best estimate" of \$11.2 million based on the above plus 25 percent of salary expenditures for non-minority employees.

As has been pointed out above both the Port of Oakland and the Bay Area Rapid Transit District generally assume \$2 in induced economic growth in addition to every \$1 spent on salaries, services, and supplies. Following this logic, Spickard concedes that all \$9.7 million spent in 1976 on salaries, services, and supplies can be multiplied by 3.0 creating a "highest estimate" of \$29.2 million in secondary economic impacts.

Economic Impact Figures at \$65 Million

It would not be illogical to take the \$29.2 million in the secondary economic impact, as outlined above, which added to the highest estimate of \$36 million in primary economic benefits would provide a total economic impact of \$65.2 million or 300 percent of the tax revenues collected for 1976. Spickard has also indicated that his "best estimate" of the combined benefits of \$38.2 million which would provide better than a 100 percent return is somewhat conservative.

The economic equations may seem esoteric to the average park professional or commissioner. While they may be, the economic methods cited are still the best that has yet been done in the field and they are valid for our purposes.

San Bernardino County Survey

A number of park agencies include visitor expenditure questions as part of annual user surveys. As one example, the San Bernardino County Regional Parks Department has devised a "semi-scientific" method of estimating the amount of money people spend in San Bernardino County on their way to and from their regional parks. Questionnaires are provided at each park, though the sampling is but 1 percent of the total visitors. Based on the information given, it was estimated that \$6.11 was spent per day by park visitors in San Bernardino County in 1976. With park attendance at 932,233 visitors, the economic generating power

of the park system was estimated at \$5,695,944. The 1977 survey showed that park visitors averaged \$6.31 per day per person, and with total attendance jumping to 1,081,789 the economic generating power increased 20 percent over 1976 to \$6,826,089. The report also points out that of this amount, it was calculated that \$386,382 went toward the 6% California sales tax. According to the San Bernardino County study visitor dollars were spent on gasoline and oil, auto repair and parts, lodging, hardware, groceries and goods, prepared foods, souvenirs, photographic film, camping fees, and entrance gate fees.

Spickard ignores such visitor expenditures, saying that while these may increase retail sales near parks, they may simultaneously reduce sales in the visitors' home communities; thus, redistribution of economic benefits among geographic areas occurs. Park professionals tend to disagree with this logic and in the case of San Bernardino County, they point to the fact that approximately 53 percent of the park visitors come from outside the County, principally from Los Angeles County or out-of-state.

Location of New Industries

Some of the literature in the field indicates that among the factors influencing the location of new industries in an area is the presence of "quality of life" amenities such as outdoor recreation opportunities. One of the earliest surveys in this regard was made at the behest of Norris Nash, a vice president of Kaiser Industries of Oakland, when he was president of the Oakland Chamber of Commerce. That 1954-55 survey of industries which had located in Oakland recently or were planning to do so indicated that parks and recreation were among the considerations favorable to site studies, along with good schools, social services, climate, and the potential work force. A more recent study done by an outside consulting firm for the Alameda Chamber of Commerce evaluated the expansion and new development at Alameda State Beach (now Crown Memorial State Beach) to be the equivalent of a new industry in the City of Alameda.

Spickard says that the literature in this area is sparse, though pointing to a 1962 Outdoor Recreation Resources Review Commission report⁶ which stated, "There is widespread belief that recreation is not only a desirable economic activity in its own right, but that it will attract industry." While it would appear that quality recreational opportunities and ample open space do make an area more attractive to new industries, the only way in which this can be more definitively evaluated is by additional surveys.

Increased Property Values Valid

A strong case is made by the author for further study on the enhancement of property values in locations near regional parks. Spickard says that "it appears that no study has yet investigated property value aspects attributable to a system of parks contained within the same local geographic area" and he points out not only the value of such further research but indicates how it might best be done. Furthermore, Spickard concludes that the regional parks "certainly generate a net increase in the value of the properties surrounding them..." and that "even though significant impacts occur only on properties relatively close to parks (ranging from a few hundred feet to half a mile and up to a one mile radius), the large number of adjacent private properties throughout the two-county district and the high average value of those properties, creates a sizable economic benefit through this impact mechanism."

Spickard cites a 1974 study⁷ of the real estate market around the 1,294-acre Pennypack Park in Philadelphia, pointing to the fact that values were enhanced some 2,500 feet from the park. In his summation of this study, Spickard says, "the authors arrived at a total annual economic benefit of \$3,391,000 generated by the park for surrounding residents." Such figures should inspire more studies along this line.

Not All Benefits Are Economic

While we need research which can attest to the economic benefits of parks and recreational facilities, particularly in this area of "lowered governmental spending," it is also important to recognize that not all the benefits of parks are economic. Spickard points to the less-tangible benefits of the increase in the quality of life, the spiritual value of easy access to natural environments and open uncrowded spaces. He says, "thousand of Bay Area residents may enjoy views of EBRPD parklands, but no mechanism exists for collecting a fee for such "use" of the parks." He points out correctly that to be of value, regional wildernesses must be large, even if there is only a small current demand for them. He comments on the educational value to East Bay children of EBRPD facilities and naturalist programs. And he maintains that "society values the conservation of natural beauty and of wildlife. Yet dollar amounts cannot readily be attached to these social values."

Spickard places the economic benefits studies into proper focus in his closing paragraph:

"In the increasingly complex world of today, the public is clamoring more and more for accountability in their public officials. To make decisions which bear up under close scrutiny, public administrators have therefore been forced to use increasingly objective criteria. An unfortunate consequence of increasing objectivity in decision-making is that economic studies, with hard dollar figures, are being relied upon to the exclusion of social considerations which do not fit the economic calculus. A study, such as this one, which attempts to value all economic benefits of a public park district can never be assumed to measure all benefits. The reason parks tend to be publicly provided in the first place is because all benefits are not economic."

No true park lover would dare to challenge this conclusion, though they might challenge some of the methods of assessing economic impact. While somewhat limited beyond what was originally intended, Steven Spickard has given us some economic measurements for our park and recreational facilities which we all can readily use. The park and recreation field will be better for having these added "arrows" in our "quivers" ready for use when they are needed.

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(Note - Copies of Spickard's complete report may be obtained for \$3 per copy plus \$1 postage by writing to the East Bay Regional Park District, 11500 Skyline Boulevard, Oakland, CA. 94619)

FOOTNOTES TO ARTICLE

- 1 - Sears, James D. (1969). "Methodology for Determining General Recreation Values under Senate Document 97" Report to the Pacific Southwest Inter-Agency Committee, July 24, 1969.
- 2 - Port of Oakland (1971). The Port of Oakland: The Giant Economy Model. Report from the Port's Department of Research. And McDonald and Grefe, Inc. (1977). "The Economic Impacts of BART Capital and Operating Expenditures." A technical memorandum, prepared for the Metropolitan Transportation Commission, June, 1977.
- 3 - Tyler Research Associates (1976). The East Bay Regional Park District: Need and Demand Survey.
- 4 - Knetsch, J.L. and Robert K. Davis (1966). "Comparisons of Methods for Recreation Evaluation." In Water Research, A.V. Kneese and S.C. Smith editors. Baltimore: Johns Hopkins Press, 1966.
- 5 - Economics Research Associates (1976). Evaluation of Public Willingness to Pay User Charges for Use of Outdoor Recreation Areas and Facilities. Prepared for the Bureau of Outdoor Recreation.
- 6 - ORRRC (Outdoor Recreation Resources Review Commission) (1962). Economic Studies of Outdoor Recreation. Study Report, No. 24.
- 7 - Hammer, Thomas R., Robert E. Coughlin and Edward T. Horn IV (1974). "The Effect of a Large Urban Park on Real Estate Value." Journal of the American Institute of Planners, 40 (July)

